9 July 1971

NOTE FOR: JMM

THROUGH: GLC

- 1. This reply to OMB for our comments on omnibus retirement act amendments for Foreign Service is based upon the input of D/Finance, D/Personnel, and John Warner.
- 2. I told JSW that it was my recommendation to you that the point he wants to make on transfer of employer contributions to OMB, while sound in principle, does not serve any immediate or long-term interest of the Agency and would be butting into State Department's business with no advantage to the Agency, but at the price of causing some problems for State. I told JSW that we all value his comments and that you would like to hear further from him. He said he didn't feel this was necessary; he had stated his opinion in writing (see attached); that I was representing his views accurately, and that the outcome had no direct bearing on an Agency interest. (I have told Hull, in State, that we believe our provision would appear to be attractive to them but he said they had reasons for not adopting it and would hope that we did not feel that we are obligated to raise this question in our report to OMB.)

LLM

13 JUL 1971

Mrs. Naomi R. Sweeney
Office of Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Dear Mrs. Sweeney:

This is in response to your request of 11 June 1971 for our views on the State Department draft bill proposing Foreign Service retirement and related amendments of the Foreign Service Act of 1946.

The Central Intelligence Agency has no objection to the proposed legislation.

Sincerely,

John M. Maury Legislative Counsel

Distribution:

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OLC/LLM:smg (8 July '71)

EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT AND BUDGET WASHINGTON, D.C. 20503

JUN 1 1 1871

LEGISLATIVE REFERRAL MEMORANDUM

To:

Legislative Liaison Officer
Civil Service Commission
Central Intelligence Agency
Treasury Department

Subject: State Department draft bill proposing Foreign Service retirement and related amendments of the Foreign Service Act of 1946.

The Office of Management and Budget would appreciate receiving the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with Budget Circular A-19.

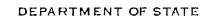
- (x) To permit expeditious handling, it is requested that your reply be made within 30 days.
- () Special circumstances require priority treatment and accordingly your views are requested by

Questions should be referred to Hilda Schreiber (395-4650) or to Victor Zafra (395-3735), the legislative analyst in this office.

Naomi R. Sweeney, for Assistant Director for Legislative Reference

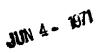
Enclosures

Declassified in Part - Sanitized Copy Approved for Release 2014/01/31: CIA-RDP73B00296R000300240017-5



Washington, D.C. 20520

UMD



The Honorable George P. Shultz, Director Office of Management and Budget

Dear Mr. Shultz:

In accordance with established procedure, there are enclosed for your review a number of proposed Foreign Service retirement and related amendments of the Foreign Service Act of 1946.

These amendments are designed to facilitate and improve administration of the retirement system and to provide equity to officers and employees of the Foreign Service. The need for many of these changes was identified by the recent Task Forces on Management Reform. A detailed explanation and justification for each change is included.

Many of the proposed amendments involve changes in Foreign Service survivor benefits to equate Foreign Service benefits with corresponding Civil Service benefits. These changes are needed to provide equity to present participants in the Foreign Service retirement system. They are especially urgent at this time because personnel converting to the Foreign Service retirement system under the Foreign Affairs Specialist program naturally want to be assured that their benefits under that system are equivalent to benefits they now have under the Civil Service retirement system. These proposed amendments are necessary to ensure this.

Many of the proposed retirement amendments have been delayed for the past several years pending resolution of the retirement funding problem. This problem was greatly alleviated by enactment in 1970 of Public Law 91-201 providing for payment of interest on the unfunded liability and for appropriations to amortize, in total, the unfunded liability

created by future pay raises and benefit improvements. order to appraise the effect of this Act, the Government Actuary in the Treasury Department has constructed a static computer model (no future pay raises) and a dynamic model (assuming pay raises of $3\frac{1}{2}$ percent per annum) to project the future course of the retirement fund over the next 80 years assuming continued payment of approximately one-half of the normal cost of the system, i.e. continuation of the present employee 7 percent contribution, matching 7 percent agency contribution and about 1 percent from participants in payment for prior service credit. Under the static model, the fund becomes exhausted in the year 2025. In the dynamic model, the retirement fund continues to rise in proportion to annual benefit payments and by the year 2050, it exceeds \$14 billion. This is 10 times the projected benefit payments for that year and compares to the present ratio of the fund being double annual benefits.

In the near future, we plan to submit additional amendments of the Foreign Service Act involving medical and travel authority, alien personnel and general administrative matters. We believe the Foreign Relations and the Foreign Affairs Committees will want to consider all proposed amendments of the Foreign Service Act at one time. Accordingly, we propose to combine all proposed amendments in a single bill covering retirement, travel, medical, alien personnel and general administrative matters. For this reason, we have not included here a draft bill or covering transmittal letter to the Speaker. We will prepare these after we have obtained your clearance on all of the proposed amendments.

In lieu of a draft bill, we are attaching for your review at this time comparable text showing present and proposed language for each section we propose to amend and an explanation of each amendment. We trust this procedure will meet with your approval.

There is also enclosed a summary description of the proposed amendments, a cost estimate and summary of the Actuary's projections.

-3-

We would appreciate your prompt consideration of these amendments and clearance for submission to the Congress.

Sincerely,

David M. Abshire Assistant Secretary for Congressional Relations

Enclosures:

- 1. Summary description of amendments
- 2. Summary of actuarial projections
- 3. Comparable text and explanation
- 4. Cost estimate

29 June 1971

MEMORANDUM FOR: Office of Legislative Counsel

Mr. Lyle L. Miller

SUBJECT:

Proposed Foreign Service Retirement and Related Amendments to Foreign Service Act

of 1946

Lyle:

On the Foreign Service Act Amendments, it is my view that basically, of course, the Agency has no objection. As discussed with you earlier, however, I do not particularly like the granting of annuity to widows who are married to annuitants who retired prior to October 16, 1960 and did not elect a survivor benefit. I believe we should take a strong position with OMB that provisions should be included for two-way automatic transfer of employer contributions and employee

contributions

STAT

JOHN S. WARNER Deputy General Counse

Att.

Entire Package on FSR Amendments

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| 2 | Room 7-D-35 Headquarters | | | | | | | |
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2. Note also the point that John Warner wants to make. You might want to talk with him directly on this. You will see from Harry's note that he is not inclined to go directly to OMB but, rather, to try to talk State into putting this into their legislation.

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| Ken | For your recommendation of Agency views on the proposed Foreign Service Retirement Act amendments which is the material sent to you on 9 June 1971. Due date: 30 June. Please let us know if there will be a delay as we would like to submit our views as early as possible. Lyle Miller | | | | | | | | |
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Washington, D.C. 20520

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